

**Draft Intended Use Plan for
the Kansas Water Pollution Control
Revolving Loan Program**

State Fiscal Year 2019



March 16, 2018

Prepared by:

Kansas Department of Health and Environment
Division of Environment
Bureau of Water
Curtis State Office Building
1000 Jackson St,
Topeka, KS 66612

State of Kansas
Department of Health and Environment
Division of Environment
Bureau of Water

**Draft Intended Use Plan for
The Kansas Water Pollution Control
Revolving Loan Program**

State Fiscal Year 2019

JEFF COLYER, MD
GOVERNOR

JEFF ANDERSEN
SECRETARY

LEO G. HENNING, DIRECTOR
Division of Environment

Jaime Gaggero, Director, Bureau of Water

March 16, 2018

Table of Contents

I.	Introduction	1
II.	State Fiscal Year 2019 Project Funding	2
III.	Short and Long Term Goals	4
IV.	Allocation of Funds	9
	a. Criteria and Method for Distribution of Funds	9
	b. Types of Projects to be Funded and Financing Rates	10
V.	Financial Management.	12
	a. Source of State Match	12
	b. Fee Income	12
	c. Program Administration	13
	d. Anticipated Cash Draw Ratio	13
	e. Transfer of Funds from the Drinking Water State Revolving Fund	13
	f. Estimated Sources and Uses	13
	g. Financial Management Strategies	14
	h. Cross-collateralization	14
VI.	Program Management	15
	a. Assurances and Specific Proposals.	15
	b. Federal Requirements	15
	c. Davis-Bacon Wage Rates	17
	d. Audits and Reporting	18
VII.	Public Review and Comment	18

Appendices

- A. List of Projects to be Funded SFY 2019
- B. Proposed FFY 2018 Cap Grant Payment Schedule
- C. Estimated SFY 2019 Sources and Uses of Funds
- D. Estimate of Availability of FY 2018 Clean Water Act Title VI Funds – March 16, 2018
- E. EPA MEMOs of Procedures for Implementing Certain Provisions of EPA’s Fiscal Year 2018, 2017, 2016 and 2015 Appropriations Affecting the Clean Water (CWSRF) and Drinking Water Revolving Fund (DWSRF) Programs (including the Fiscal Sustainability Plan Document)
- F. Principal Forgiveness and Green Project Reserve Policy and Procedures Applicable to the FFY 2018, 2017, and 2016 Federal Funding Provided to the Kansas Water Pollution Control Revolving Fund
- G. Public Review
 - a. Public Hearing Notice
 - b. Summary of Public Hearing
 - c. List of Public Hearing Attendees
 - d. Summary of Email and Letter Comments Received (and Responses Provided)
- H. Estimated Service Fee Income from 2018 Capitalization Grant
- I. Project Priority List (by reference, available at <http://www.kdheks.gov/muni/index.htm>)
- J. Project Priority System (by reference, available at <http://www.kdheks.gov/muni/index.htm>)
- K. KWPCRF Project Application Packet System (by reference, available at <http://www.kdheks.gov/muni/index.htm>)
- L. American Iron and Steel (AIS) Policies and Procedures from EPA – March 20, 2014
- M. CWSRF WRRDA Guidance Final 1-6-15 (Final Interpretive Guidance)

I. Introduction

The State of Kansas Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF) is prepared in accordance with the provisions of Title VI of the Clean Water Act of 1987, the Water Resources Reform and Development Act – P.L. 113-121, the Consolidated and Further Continuing Appropriations Act, 2015 - P.L. 113-235 (a.k.a. the “Cromnibus”) bill, the FFY 2016 Consolidated Appropriations Act, the FFY 2017 Omnibus appropriations act, and funding legislation for FFY 2018. With reference to the EPA MEMORANDUM “Adoption of Procedures for Implementing Certain Provisions of the Fiscal Year 2013 Appropriations Act Affecting the Clean Water and Safe Drinking Water State Revolving Fund (SRF) Programs”, the “green project reserve” requirements and conditions provided under the FFY 2012 Consolidated Appropriations Act (P.L. 112-74) are carried over to the FFY 2013, FFY 2014, FFY 2015, FFY 2016, FFY 2017, and FFY 2018 funding. With reference to the EPA guidance document “FFY -2015 CWSRF Programmatic Terms and Conditions” dated March 9, 2015, EPA has provided this procedures guidance document applicable to FFY 2015 funding. Also, due to the Water Resources Reform and Development Act (WRRDA) additional guidance is provided in Appendix M in this Draft FFY 2019 IUP. With reference to the EPA guidance document “FFY -2016 CWSRF Programmatic Terms and Conditions” dated received by email March 10, 2016, EPA has provided this procedures guidance document applicable to FFY 2016 funding. Considering the FFY 2018 federal funding is expected to be provided by an “Omnibus” bill, there are no changes expected for the FFY 2018 Clean Water SRF program differing from the FFY 2016 requirements. If any changes are necessary when the FFY 2018 Grant Conditions are provided by EPA, the program will be revised accordingly.

This IUP is a required part of the process to request the FFY 2018 Capitalization Grant. The CWSRF program requires 20 percent state matching funds, and a portion these funds have been previously provided for this FFY 2018 Capitalization Grant, and the remaining amount is now being provided by KDHE state match borrowing in conjunction with the Kansas Development Finance Authority (KDFA). The FFY 2018 Clean Water SRF Capitalization Grant allotment for the State of Kansas is estimated to be \$12,750,000. This IUP describes the intended uses for all funds available in the Kansas CWSRF program for SFY 2019, including the projects that Kansas expects to provide financial assistance in SFY 2019 and the near future, and an overview of how the state will comply with federally mandated requirements.

The Kansas CWSRF was established pursuant to the Clean Water Act of 1987 and by state statutes K.S.A. 65-3321 thru 65-3329, to establish the Kansas Water Pollution Control Revolving Fund (KWPCRF) to provide below market interest rate financing to local governments and eligible private entities for certain water quality projects. The implementing regulations are found at K.A.R. 28-16-110 thru 28-16-138. The KWPCRF operates through an Inter-Agency Agreement (IAA) between the Kansas Department of Health and Environment (KDHE), the Kansas Department of Administration (KDA), and the Kansas Development Financing Authority (KDFA). The IAA also provides for joint administration of the Kansas Public Water Supply Revolving Fund (the “drinking water” SRF). The KDHE is responsible for all aspects of the KWPCRF and administers the technical and environmental aspects of the program, the KDA provides accounting and fiscal management services, and the KDFA issues bonds to provide state match and leveraging funds as well as administering all aspects of continuing disclosure and other requirements related to the bonds issued for KWPCRF implementation. The KWPCRF provides low-cost financial assistance for high priority wastewater system, stormwater and nonpoint source projects. Since the program’s authorization in 1988, Kansas has awarded over \$1.28 billion in assistance to over 475 borrowings, including small and large municipalities and nonprofit organizations. In the upcoming year, Kansas has identified over \$148.5 million in high-priority water quality and asset management projects that could be funded (see Appendix A).

How the CWSRF Program Operates

Every year since the inception of the KWPCRF program in 1988/1989, the federal government has appropriated funds for the KWPCRF. These capitalization grants are distributed to states using a formula outlined in the Clean Water Act Amendments of 1988. Since 1989, the Kansas CWSRF has received over \$370 million in federal capitalization grants. In addition, as required by the federal legislation, the state of Kansas has provided matching funds equal to 20 percent of the capitalization grants by issuing state match revenue bonds. In some years, the KWPCRF has leveraged the program by issuing additional revenue bonds. The leveraging bonds allow Kansas to fund more projects sooner by making additional funds available. The KWPCRF receives an annual independent financial audit.

II. State Fiscal Year 2019 Project Funding

The Kansas FFY2018 federal capitalization grant is anticipated to be \$12,750,000. KDHE has “reserved the right” to utilize 4% of the FFY 2018 cap grant amount, \$510,000, for administration costs, from this and future capitalization grants. It is expected Congress will mandate that 10% of this 2018 amount (\$1,275,000) be put towards projects that qualify under the EPA Green Project Reserve (GPR). It is expected Congress will mandate that a minimum 10% of this 2018 amount (\$1,275,000) be directed to additional subsidy. Kansas will work to provide the maximum additional subsidy amounts into loans as principal forgiveness to projects.

Further, federal law now requires all CWSRF projects funded in SFY2019, regardless of funding source, must pay their workers the federal Davis-Bacon wage rates for their job classification, must comply with American Iron and Steel (AIS) requirements, and projects which repair, replace, or expand treatment works must provide a Fiscal Sustainability Plan (FSP) including an Asset Management Plan (AMP) for the wastewater utility. (Reference Appendix E which is the EPA program guidance applicable to the FFY 2012, FFY 2013, FFY 2014, FFY 2015, FFY 2016, FFY 2017, and FFY 2018 funding. If any changes are necessary when the FFY 2018 Grant Conditions are provided by EPA, the program will be revised accordingly. Also, with reference to Appendix M which is the guidance for the implementation of the changes to the Clean Water SRF programs from the Water Resources Reform and Development Act – P.L. 113-121, please also note the WRRDA required KDHE write an “Affordability Criteria” guidance document for the KWPCRF, which was completed by the September 30, 2015, deadline. This document has been prepared and distributed through a public hearing process and is available on the KDHE website at <http://www.kdheks.gov/muni/index.htm> . Also, in Section 603(b)(13) WRRDA requires KDHE obtain a certification from all applicants, in a manner determined by the Governor, that the facility planning has studied and evaluated cost and effectiveness and efficiency of water use, reuse, recapture and conservation, and energy conservation, for all projects funded on or after October 1, 2015. These KDHE guidance documents are also available on the KDHE website at <http://www.kdheks.gov/muni/index.htm> .

In SFY2019, Kansas expects to finance many wastewater collection and treatment projects with the federal funds from the FFY 2018 Clean Water SRF Capitalization Grant and continue to pursue providing funding to stormwater infrastructure and nonpoint source pollution control projects, while also meeting the anticipated federal requirements to provide 10% of FFY 2018 to GPR designs and provide the required additional subsidization. These subjects are discussed in further detail below:

- The FFY 2018 principal forgiveness funding (\$1,275,000) will be allocated to several projects as presented in Appendix A. In the recent years federal appropriations, the amount of additional subsidy provided and allowed for principal forgiveness has declined, but now for FFY 2015, FFY 2016, and FFY 2017 has increased substantially, for FFY 2018 is again reduced. These numbers are summarized as follows:

FFY		<u>Cap Grant</u>		<u>Maximum P. F.</u>		<u>Minimum P.F.</u>
ARRA	\$	35,374,200	\$	35,374,200	\$	17,787,100
2010	\$	18,391,000	\$	9,181,294	\$	3,678,200
2011	\$	13,328,000	\$	4,116,837	\$	1,235,051
2012	\$	12,757,000	\$	1,063,482	\$	708,988
2013	\$	12,051,000	\$	851,480	\$	567,654
2014	\$	12,656,000	\$	1,033,065	\$	688,710
2015	\$	12,591,000	\$	3,777,300	\$	0
2016	\$	12,060,000	\$	4,824,000	\$	1,206,000
2017	\$	11,967,000	\$	4,786,800	\$	1,196,700
2018(est.)	\$	12,750,000	\$	1,275,000	\$	1,275,000

Due to the prior trend of reduced funding for additional subsidization (principal forgiveness), KDHE had been restricting the provision of principal forgiveness in new Loan Agreements dated after February 23, 2012. KDHE continues make every effort to provide the percentage amounts of principal forgiveness as indicated in prior loan agreements, and with the additional subsidization funds available from the FFY 2017 and the FFY 2018 cap grants will provide additional subsidy funding through amendments to prior projects with qualifying costs for Green Project Reserve designs. Also, KDHE will is now beginning to provide principal forgiveness to qualifying loans in accordance with the procedures presented in Appendix F of this Draft IUP. Please note the new Affordability Criteria guidance for the KWPCRF dated September 30, 2015, will affect the methods of distributing the principal forgiveness additional subsidy, and so the remaining principal forgiveness funding for FFY 2018 and in the future for FFY 2019 will be allocated in accordance with the new Affordability Criteria guidance for the KWPCRF in the future. The Kansas Affordability Criteria policy and procedures document has been prepared, comments received, and the final document accepted by EPA.

With the estimated additional principal forgiveness now available from the estimated \$12,750,000 amount from the FFY 2018 Cap Grant, KDHE will apply the procedures to distribute these funds based on financial need, rather than in support of the EPA Green Project Reserve efforts. If any additional new projects are selected to receive principal forgiveness, it is planned to present these projects in a future Amendment to the FINAL FFY 2019 IUP. Principal forgiveness procedures include:

All loans continue to receive an interest rate established in accordance with K.A.R. 28-16-113. As an example, for March 2018 the KWPCRF loan interest rate is 2.15%.

Principal forgiveness will exclude the costs of interest during construction and service fee charges during construction. The federal Cap Grants are the source of funding that can provide principal forgiveness from the KWPCRF loans.

Moving into the future, while projects will continue to be encouraged to include "green components" as defined by EPA and KDHE in the design components, the "additional subsidy" principal forgiveness will not be provided solely on this basis. The Cap Grants are the funding source that can allocate principal forgiveness to the KWPCRF loans.

KDHE will now complete the effort to provide the amounts of principal forgiveness for GPR designs as indicated in prior loan agreements, and so additional principal forgiveness funding will now be provided for all qualifying EPA and KDHE GPR costs, including increased

costs due to bid opening and change orders. The remaining additional principal forgiveness amounts now provided by Congressional appropriation from the FFY 2017 Cap Grant (minimum required \$1,196,700, maximum available \$4,786,800) could also be provided to new loan agreements in accordance with the updated procedures as accepted by EPA. However, EPA has also determined that 10% of the additional subsidy funding from the FFY 2017 cap grant could be provided as additional subsidy without considering the WRRDA restrictions, and KDHE will implement this option. It is also expected EPA will determine that 10% of the additional subsidy funding from the FFY 2018 cap grant (est. \$1,275,000) could be provided as additional subsidy without considering the WRRDA restrictions, and if so KDHE will implement this option.

Four projects potentially qualify for the Green Project Reserve as shown on Appendix A. Estimated funding for these projects totals \$2.0 M, or about 16 percent of the FFY 2018 cap grant.

In conformance with the state legislation establishing the KWPCRF, KDHE will insure a minimum 10% of the monies will be made available to municipalities with 5,000 population or less.

Appendix A includes the Kansas project funding list, or fundable list. This list first includes the projects that Kansas has funded in the prior year, listed in alphabetical order. Projects to potentially apply for funding from FFY 2018 funds in SFY 2019 are listed as projects I.D. No. 1 through 35 in alphabetical order, and projects with potential to apply for funding in future years are also listed in alphabetical order as projects I.D. No. 36 through 48, and these projects can apply for funding at any time. The expanded Project Priority List is Appendix I and the Project Priority System is Appendix J, available on the KDHE website.

III. Short and Long Term Goals

Kansas has developed short-term and long-term goals for the KWPCRF program. The short-term goals reflect goals for the 2018 and 2019 fiscal years.

Short-Term Goals

1. *To provide financial assistance to water quality improvement projects for discharge to streams and water bodies within "high quality watersheds" consistent with the provisions of the Project Priority System.*

Planned Actions: Typically, projects to resolve these types of issues must complete an Antidegradation Review through the NPDES permitting process. KDHE Bureau of Water (BOW) staff issue these NPDES permits and Antidegradation Review documents for public review and comment. As these types of projects occur and develop and the NPDES permits are issued, KWPCRF staff will continue to include these new and necessary projects on the Project Priority List and move these projects onto the IUP for funding as the projects progress through the KWPCRF application and funding process.

2. *To provide financial assistance for sewerage facilities to municipalities with population less than 5,000.*

Planned Actions: As these types of projects occur and develop, KWPCRF staff will continue to provide any and all additional administrative effort to support and coordinate with local municipal staff and consultants to complete the KWPCRF application and funding process.

3. *To assure compliance with Water Quality Standards and effluent limitations through encouraging construction of sewerage improvements in support of KDHE Permitting and Enforcement activities.*

Planned Actions: Typically, projects to resolve these types of issues are required by enforcement through the NPDES permitting process. KDHE BOW staff issue these NPDES permits with Schedules of Compliance for public review and comment. As these types of projects occur and develop and the NPDES permits are issued, KWPCRF staff will continue to include these new and necessary projects on the Project Priority List and move these projects onto the IUP for funding as the projects progress through the KWPCRF application and funding process.

4. *To encourage municipalities to use the KWPCRF for solving problems and providing improvements related to public health protection, water quality improvement, sludge handling improvements and biosolids reuse, asset management, energy efficiency, and wastewater treatment facilities compliance through the construction of sewerage projects.*

Planned Actions: KDHE BOW staff will continue to make presentations to professional and municipal management organizations to present and explain the opportunity of funding by the KWPCRF. KWPCRF staff will continue to coordinate development of projects with other funding agencies. The KWPCRF will also continue to manage several ongoing contracts with technical experts that provide on-site technical assistance, including compliance operations review, energy efficiency review, and review for improved operations to reduce discharge of nutrients. KDHE BOW will implement the requirements of WRRDA section 603(b)(13) regarding facility planning.

5. *To assure compliance with domestic sewage sludge reuse criteria and disposal practices through construction of any necessary sludge handling improvements to comply with the 40 CFR Part 503 EPA regulations.*

Planned Actions: As these types of projects occur and develop, KWPCRF staff will continue to provide additional administrative effort to support and coordinate with local municipal staff and consultants to complete the KWPCRF application and funding process.

6. *Fund green infrastructure, water and energy efficiency and environmentally innovative projects.*

Planned Actions: Congress has directed that at least 10 percent of the FFY 2017 capitalization grant be allocated towards EPA “Green Project Reserve” projects and the states are encouraged to provide 20%, and it is anticipated that will continue to apply to FFY 2018 funds. Kansas will continue to solicit green infrastructure, water and energy efficiency, and environmentally innovative projects for this SFY 2019 project priority list and future years funding. The KWPCRF program will work with eligible municipalities to ensure that the 10 percent minimum is met, and hopefully the 20% encouraged amount is met.

Kansas has also adopted revisions to the KWPCRF statutes to establish a linked-deposit investments approach to finance these types of non-point source pollution control projects. (Please note, due to federal changes presented in the WRRDA law, direct funding could no longer be provided to not-for-profit project sponsor applicants.) Kansas will require and approve business cases for projects that have been determined to not categorically qualify for the Green Project Reserve, as described in Appendix E. Business cases are posted on the KDHE website (www.kdheks.gov/muni/index.htm) upon financing approval.

The KWPCRF has been successful in implementing this aspect of the federal program. KDHE has now revised the methods of providing the additional subsidization to projects to be based on abnormally high cost projects resulting in abnormally high user charge impacts when compared to median household income of the service area population. See Appendix E and Appendix F.

7. *Provide the maximum allowable amount of principal forgiveness available to selected projects.*

Planned Actions: Projects for communities that could not otherwise afford necessary projects will continue to be coordinated with the CDBG grants program and the Rural Development grant and low interest loan funding programs thru the Kansas Interagency Advisory Committee (KIAC) process. KDHE will work to assure a portion of the available principal forgiveness is fully utilized in amendments to prior funded deserving projects and has revised the methods of providing the additional subsidization to projects to be based on abnormally high cost projects resulting in abnormally high user charge impacts when compared to median household income and other aspects of the service area population.

Please also note the WRRDA required KDHE write an “Affordability Criteria” guidance document for the KWPCRF, which was completed dated September 30, 2015. This document has been prepared through a separate public hearing process and is available on the KDHE website at <http://www.kdheks.gov/muni/index.htm> . The new Affordability Criteria guidance for the KWPCRF changes the options for future distribution of the principal forgiveness additional subsidy.

8. *To encourage municipalities to use the KWPCRF to implement EPA’s Sustainability Policy.*

Planned Actions: EPA’s Sustainability Policy encourages states to develop projects and provide funding to projects that repair existing infrastructure (“Fix it First”), promote effective utility management, or provide long term planning. These Sustainability Policy principals are also implemented through the KIAC discussions with other agencies. The WRRDA federal law now requires all CWSRF projects funded in SFY2019 and future years which repair, replace, or expand treatment works must provide a Fiscal Sustainability Plan (FSP) including an Asset Management Plan (AMP) for the wastewater utility. The Fiscal Sustainability Plan is explained further in Appendix E and is available on the KDHE website at <http://www.kdheks.gov/muni/index.htm> .

9. *Expedite project development and construction by encouraging projects to begin construction within one year of providing the KWPCRF low interest loan.*

Planned Actions: The KWPCRF program will continue to accomplish a short timeframe between project application and construction start. The new EPA goal is to have all funded projects under construction within one year of capitalization grant award, similar to the CDBG program in Kansas. For large cost and scope projects, this has resulted in the need for separate loan agreements for planning and design costs. The program will also continue to draw and spend the federal capitalization grant funds as quickly as possible, by spending federal funds “first in, first out” (FIFO) to any project that includes all current federal requirements as soon as federal funds are available and until available federal funds are exhausted. Additional funding for all projects is available from state match revenue bond proceeds and from “recycled” monies held in the KWPCRF, and additional funds can always be obtained for the KWPCRF projects as needed by the sale of leveraging revenue bonds. The application review and approval process will continue to be streamlined to the maximum extent possible, and the KWPCRF will work closely with applicants to ensure their projects are ready to proceed to construction within the one year time frame goal.

10. *Continue implementing of the current and successful financial model.*

Planned Actions: The KWPCRF continues to work with the Kansas Development Finance Authority (KDFA) and the financial consultants to the KWPCRF, to monitor and track the current status of the KWPCRF and the KPWSRF under the cross-collateralization agreements of the Master Financing Indenture (MFI), and update the financial modeling software as deemed appropriate. KDHE will continue to work with other state agencies under the IAA to continue implementation of the KWPCRF, including management of the significant amount of prepayments now being received.

11. *Operating Procedures.*

Planned Actions: The policies and procedures of the KWPCRF are continually reviewed and updated as necessary, to simplify and improve efficiency of the application, approval, financing, payments, and close out processes.

Long-Term Goals

1. *To maintain a self-supporting, effective and efficient, revolving loan program through the Kansas Water Pollution Control Revolving Fund to provide the type and amount of assistance most advantageous to local communities and to provide low-cost financing for important water quality projects in order to improve and protect water quality and public health while maintaining the perpetuity of the CWSRF.*

Planned Actions: KDHE staff routinely review these issues. In the future KDHE in conjunction with KDFA and the legal and financial consultants to the KWPCRF will continue to review the long-term capabilities of the KWPCRF to meet all financial obligations of the leveraged borrowings and also generate adequate service fee revenue to support the program in the future. Kansas uses a financial planning model to guide decisions on leveraging capability, bond debt coverage factors, and cash investments. Kansas looks to balance the goals of maximizing subsidies while maintaining the fund in perpetuity. These efforts will continue in the future with the leveraging or State Match revenue bond issues, and when preparing the Projected Revenue Certificate (PRC) as required by the revenue bond process. The KWPCRF will continue the coordination of project development and shared financing with the CDBG grant program and the Rural Development grant and loan program thru the KIAC process.

KDHE in conjunction with the Kansas Department of Administration has contracted for annual independent audits of the KWPCRF and will continue this practice. The Independent Auditors Report is presented on the KDHE website at www.kdheks.gov/muni/index.htm.

2. *To continue to fund water quality improvement, sludge handling improvements, public health protection, and other eligible projects on a priority basis as presented in the Project Priority List.*

Planned Actions: Continue the current program, which is proving successful in resolving water quality impairments, providing for asset management of existing infrastructure, improving compliance with EPA Part 503 sludge disposal and biosolids reuse regulations, and improving the sanitary conditions and water quality of Kansas streams.

3. *To support implementation of Water Quality improvements plans as presented within the Kansas Water Plan and TMDL plans written by KDHE and approved by EPA.*

Planned Actions: The KWPCRF is now providing funding for water pollution reduction projects as recommended by waste load allocations presented in Total Maximum Daily Load (TMDL) plans and will continue to expand funding these needed projects into the future.

4. *To provide funding to non-traditional borrowers for water quality improvement and public health protection projects, including non-point source pollution control projects. Expand CWSRF accessibility by creating financial assistance programs that address nonpoint source control and other nontraditional CWSRF projects.*

Planned Actions: Kansas had been successful in the past bringing important nonpoint source and other nontraditional CWSRF projects to the program through use of the principal forgiveness aspects of the CWSRF, implemented since FFY 2009. These types of projects have challenges in obtaining financing due to a lack of ongoing revenues, and so have been funded in the past with 100% principal forgiveness. These approaches could no longer be implemented as the new federal law WRRDA does not allow direct funding to not-for-profit project sponsor applicants, however for the 10% portion of the anticipated FFY 2018 additional subsidy amounts it is anticipated these can be distributed without the WRRDA restrictions. The additional subsidy principal forgiveness will in the future also be provided in support of the new KWPCRF affordability criteria for high cost projects. KDHE now has legislation to implement a linked-deposit non-point source funding investment program. KDHE has now developed contracts and documents. The use of a “linked deposit” investment program can continue to access the KWPCRF program for cost-effective investments financing for non-point source pollution control projects. The new MFI adopted December 2010 has provided a process for non-traditional borrowers to receive loans and principal forgiveness in these loans.

5. *Work with other state funding sources to coordinate water quality and asset management financing.*

The KWPCRF program routinely meets with other agency programs that finance wastewater infrastructure in Kansas, including the U.S. Department of Agriculture (USDA) Rural Development program, the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program as administered by the Kansas Department of Commerce, and meets monthly with other state agencies that are parties to the IAA for the KWPCRF and KPWSRF. The financing programs meet with potential applicant cities to discuss program application requirements and present funding packages, which can maximize cost savings to the applicant cities and improve efficiency of all programs.

6. *Use effective outreach techniques reach important water quality priorities and maintain a high pace level.*

The KWPCRF is committed to bringing projects to the program that address the state's most important water quality priorities. Various outreach techniques are used, including meetings with watershed organizations, participation in conferences, brochures, KIAC meetings, and personal visits to communities. The KWPCRF expects to continue these efforts and to respond to evolving water quality and environmental priorities in the state and nationally.

7. *Expand CWSRF accessibility by creating financial assistance programs that address nonpoint source control and other nontraditional CWSRF projects.*

Kansas had been successful in the past bringing important nonpoint source and other nontraditional CWSRF projects to the program through use of the principal forgiveness aspects of the CWSRF, implemented since FFY 2009. These types of projects have

challenges in obtaining financing due to a lack of ongoing revenues, and so have been funded in the past with 100% principal forgiveness. These approaches had no longer been implemented as the federal law WRRDA does not allow direct funding to not-for-profit project sponsor applicants, however we anticipate the 10% portion of FFY 2018 additional subsidy amounts can be distributed without the WRRDA restrictions. The additional subsidy principal forgiveness will in the future be provided in support of the new KWPCRF affordability criteria for high cost projects. KDHE now has legislation to implement a linked-deposit non-point source funding investment program to the Kansas legislature. KDHE has now developed contracts and documents. The use of a “linked deposit” investment program can continue to access the KWPCRF program for cost-effective investments financing for non-point source pollution control projects.

8. *Expand available financing by issuing KWPCRF leveraged bonds as and when needed.*

Planned Actions: KDHE with the assistance of KDFA periodically leverages by issuing tax-exempt revenue bonds secured jointly by the KWPCRF and the Kansas Public Water Supply Revolving Fund thru cross-collateralization, which enables funding for a greater number of projects than would otherwise have been possible while securing the continued financial security of the previously issued revenue bonds. The KWPCRF program has in the past experienced greater demand for funding than it would be able to service without leveraging. Leveraging decisions are made based on funding needs, modeling and financial analysis to ensure additional funds are needed and can be spent in a timely manner, while complying with all requirements of the Internal Revenue Service (IRS) for tax exempt bond status and all conditions of the Security and Exchange Commission (SEC) of the U. S. Treasury for tax exempt revenue bonds.

IV. Allocation of Funds

a. Criteria and Method for Distribution of Funds

The Kansas Project Priority Ranking System is Appendix J. The Priority Ranking System was updated in March 2018 to reflect changing environmental and water quality priorities in Kansas. The ranking criteria emphasize high priority waterbodies, implementation of TMDL waste loan allocations, projects proactively addressing needs, and projects addressing enforcement and compliance issues. In addition, projects receive consideration for implementation of green infrastructure, energy efficiency, water efficiency and environmental innovation. Project reviews also consider the EPA Sustainability Policy.

After projects are ranked according to the criteria a Project Priority List is developed, see Appendix I. Projects are further evaluated on their readiness to proceed to a financing agreement and into construction in part based on environmental review and having obtained easements and/or any necessary permits required prior to construction. Projects may receive initial planning and design low interest loan funding to assist the project development process.

All projects targeted to receive FY 2018 funding are placed on the IUP list of projects to be funded (see Appendix 1, projects I.D. Nos. 1 through 35).

Bypass Procedures

Kansas may bypass projects on the IUP list of projects to be funded if there is an unforeseen delay in project development and/or the financing plan. Also, any other projects from the Project Priority List may move to the funding list based on the readiness to proceed and project priority ratings.

Additional low interest loan funding is available for any previously funded project for any construction improvement eligible to be funded by the KWPCRF.

Any project not funded in the current year will retain the priority rating and continue to be included on the IUP in the future but would be subject to the eligibility and funding considerations applicable to the future funding conditions.

All projects must be on the Project Priority List in order to receive funding. Anytime the “project bypass” procedure is implemented this will be explained in the Annual Report.

b. Types of Projects to be Funded and Financing Rates

Section 212 Projects

All loans to Section 212 projects and also including Nonpoint Source (NPS) projects which qualify under the Green Project Reserve will continue to receive an interest rate established in accordance with K.A.R. 28-16-113. Please see Appendix M for the list of expanded eligibilities allowed by WRRDA.

The financing term for most projects will be 20 years, a shorter repayment period is available if desired by the applicant.

Nonpoint Source and Estuary Protection Projects

Nonpoint source activities (not specific projects) funded by the KWPCRF appear in the “Kansas Nonpoint Source Pollution Management Plan 2010 Update” dated April 2011 developed by the Kansas Department of Health and Environment. Please see Appendix M for the list of expanded eligibilities allowed by WRRDA.

There are no estuaries in Kansas.

Green Project Reserve

Projects that qualify (in whole or in part) for the Green Project Reserve as Energy Efficiency, Water Efficiency, Green Infrastructure or Environmentally Innovative (as defined by U.S. EPA’s 2012 CWSRF Procedures in Appendix E) will be posted on the KDHE website.

Disadvantaged Communities and Sustainability Policy

In the anticipated FFY2018 appropriations, it is anticipated Congress will requires state to provide additional subsidization. In Kansas, additional subsidy is provided as principal forgiveness. It is anticipated a minimum of \$1,275,000 of principal forgiveness will be required in the FFY 2018 appropriation. KDHE will now complete the effort to provide the amounts of principal forgiveness for GPR designs as indicated in prior loan agreements, and so additional principal forgiveness funding will be provided for all prior EPA and KDHE GPR costs, including any increased costs due to bid opening and change orders. KDHE is again considering utilizing the prior methods to distribute the 10% additional subsidy funds from the FFY 2018 appropriation that are not subject to the WRRDA restrictions.

Congress also asked states to direct the subsidies to disadvantaged communities and sustainability projects, to the extent possible. The KWPCRF will continue to work with the CDBG grant program and the Rural Development grant and loan program through the Kansas Interagency Advisory Committee (KIAC) process to provide suitable financing for

high cost projects, as discussed further below. The additional principal forgiveness amounts provided by Congressional appropriation from the FFY 2018 Cap Grant will be provided to new loan agreements in accordance with the updated procedures which have now been developed. KDHE has now changed the methods of providing the additional subsidization to projects to be based on abnormally high cost projects resulting in abnormally high user charge impacts when compared to median household income of the service area population.

1. Disadvantaged Communities

All projects undergo a financial capability review. The KWPCRF collects substantial information from all project applicants including budget projections and impact to user charge rates.

The KWPCRF program routinely meets with other agency programs that finance wastewater infrastructure in Kansas, including the U.S. Department of Agriculture (USDA) Rural Development (RD) grant and loan program, and the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program as administered by the Kansas Department of Commerce. The financing programs meet with potential applicant cities in KIAC meetings to discuss program application requirements and present funding packages, which can maximize cost savings to the applicant cities and improve efficiency of all programs. A description of the KIAC process can be found on the Kansas Department of Commerce – Community Development Block Grant program website at <http://ks-kdoc.civicplus.com/DocumentCenter/Home/View/165>, click on “KIAC Brochure”. The KIAC meetings are a collaborative process between the funding agencies. While no community or project will be denied the opportunity to apply to any or all funding programs, the KIAC process significantly improves the efficiency of the efforts by the applicant communities and improves the ability of the applicant to successfully obtain funding. If an applicant does not qualify for a CDBG grant or grant funding from RD, or if joint CDBG/KWPCRF grant/loan funding or joint RD/KWPCRF grant/loan funding or a KWPCRF-only low interest loan is a better financial option for the applicant community, the SRF loan is provided. The joint funding of projects also reduces the potential for loan defaults in the KWPCRF program. KDHE has now revised the methods of providing the additional subsidization to projects to be based on abnormally high cost projects resulting in abnormally high user charge impacts when compared to median household income and other aspects of the service area population.

2. Sustainability Policy

The KWPCRF is committed to promoting sustainable design and management of wastewater utilities and clean water resources, as an example, the use of wastewater treatment lagoons in small communities.

EPA's Sustainability Policy has identified three categories of projects that help promote sustainable design and management of wastewater utilities. The KWPCRF is implementing this policy as outlined. The WRRDA federal law now requires all CWSRF projects funded in SFY2018 and future years which repair, replace, or expand treatment works must provide a Fiscal Sustainability Plan (FSP) including an Asset Management Plan (AMP) for the wastewater utility, found at <http://www.kdheks.gov/muni/index.htm>. The Fiscal Sustainability Plan is explained further in Appendix E. The categories and types of eligible projects are described below.

- Fix it First projects. The main principle is that projects in currently established areas, which are still suitable for use, should be encouraged with priority over projects in undeveloped areas. The repair, replacement and upgrade of this infrastructure is encouraged. Projects that may qualify as Fix it First projects include:
 - Projects that are critical to assuring continued compliance with NPDES discharge limits in existing facilities.
 - Upgrades to existing infrastructure in growth areas to spur development/redevelopment in these areas, rather than in unplanned or undeveloped areas.
 - Rehabilitation of existing wastewater treatment systems without expansion beyond a normal growth rate in the community or to service infill areas in the community.
- Effective utility management. Plans, studies and projects that help improve the technical, managerial and financial capacity of assistance recipients to operate, maintain and replace their infrastructure. The principle is that improved stewardship of the existing infrastructure will help improve their sustainability and extend the useful life.
- Planning. Preliminary planning, development of alternatives, and capital projects that reflect the full life cycle cost of infrastructure, conserve natural resources or use alternative approaches to integrate natural systems into the built environment. Potential projects include:
 - Projects that are identified through current facility planning (or similar efforts) as being critical to protecting long-term investments (federal, state and local) in Kansas community wastewater treatment facilities.
 - Projects consistent with local or regional land use plans.

V. Financial Management

a. Source of State Match

The anticipated KWPCRF FFY2018 appropriation of \$12,750,000 would require state matching funds of \$2,550,000 (20 percent). A portion of this state match funding in the amount of \$118,800 had previously been provided by sale of state match bonds in October 2017 and has been spent for payments to ongoing projects. A portion of this state match funding in the remaining necessary amount of \$2,413,200 is anticipated to be provided by sale of state match bonds in the near future and will be spent for payments to ongoing projects. The total amount of state match bonds being sold is \$2,500,000, and any remaining funds will be applied to any state match needs for future cap grant funds provided to the KWPCRF. The state match bonds will be repaid using interest earnings from assistance agreements and on investments.

b. Fee Income

As established by K.A.R. 28-16-113 the gross interest rate for a KWPCRF loan shall include the service fee. Assistance recipients are assessed a service fee of 0.25%, which is included within the gross interest rate. The fee income is used to help cover the costs of administration of the KWPCRF by paying for a portion of KWPCRF staff salary and benefits, costs incurred by other state agencies under the IAA, costs of annual independent financial audits, ongoing costs of rent, travel, communications, office equipment, etc., for the KWPCRF program, and also service fees are used for other salaries and similar expenses of administering 106

activities such as the NPDES permit program. As service fees are earned on the FFY 2018 capitalization grant, \$86,000 of service fees are expected to be deposited into the CWSRF as “program income earned during the grant period”, in accordance with the 2005 policy guidance memo by EPA. See also Appendix H.

c. Program Administration

Up to 4 percent of the capitalization grant can be used for administration of the KWPCRF by KDHE. KDHE has “reserved the right” to utilize 4% of the FFY 2018 cap grant amount, \$510,000, for administrative costs, from this or future cap grants. This is supplemented by the 0.25% service fee collected on repayments. The KWPCRF now has approximately \$4.5 M in banked administrative funds from capitalization grants which can only be used for administration of the KWPCRF program into the future.

d. Anticipated Cash Draw Ratio

The KWPCRF uses the cash flow method of leveraging the CWSRF. The federal capitalization grants are **not** used as security on the bonds. For the FFY2018 Capitalization Grant, the KWPCRF will continue to follow the EPA Memorandum “Clarification of Cash Draw Rules for Leveraged SRF Programs” (August 26, 2011). The entire amount of state matching funds for the 2018 cap grant will be deposited to the KWPCRF and will be paid to loan recipients prior to spending funds from the FFY 2018 Cap Grant. The Payment Schedule in Appendix B reflects this plan. State match will be provided before the payment of capitalization grant funds is received, as shown on the schedule in Appendix B, and all 2018 state match funds were disbursed before any 2018 federal funds are drawn for project payments, therefore the 2018 grant will be drawn at a 100% proportionality ratio.

e. Transfer of Funds from the Drinking Water State Revolving Fund

The KWPCRF has not and does not currently plan on transferring funds to or from the Kansas DWSRF in SFY2019 or future years.

f. Estimated Sources and Uses

The Sources and Uses of Funds table in Appendix C identifies the estimated sources and the uses all of the available funds in the KWPCRF in SFY2019. Sources of funds include federal capitalization grants and state matching funds, as well as repayments from existing loans. The KWPCRF frequently reviews the need to sell additional leveraging bonds, and additional bonds will be sold as and when needed. The potential need will be reviewed prior to the end of SFY 2019. Investment earnings and service fees are also sources of funds shown in Appendix C.

In keeping with the objectives of the KWPCRF, the majority of the available funds are used to pay for municipal wastewater collection and treatment water quality projects construction and engineering. Funds are also used to pay for program administration and repayments are used first for debt service on leveraged and state match bonds, and then become available for new loans.

The proposed FFY 2018 Cap Grant payment schedule can be found in Appendix B.

g. Financial Management Strategies

Comprehensive financial planning is essential for the KWPCRF. Financial planning is used to determine appropriate investment strategies, leveraging practices, use of additional subsidies, and annual and long term financing capacity. The KWPCRF is always striving to balance the need to provide as much low-cost financing as possible while ensuring that the fund can continue to operate in perpetuity. Each year, KDHE and the partner agencies and various consultants review the financial conditions of the KWPCRF, including the need and timing to sell leveraging bonds.

The KWPCRF is in full conformance with the cash draw policies as presented in the EPA Memorandum, "Clarification of Cash Draw Rules for Leveraged SRF Programs" (August 26, 2011). The MFI reflects the federal capitalization grant is not and will not be used to secure leveraged bonds issued by the KWPCRF program.

The KWPCRF leverages periodically as necessary to increase the funds available for assistance. A leveraging bond issue will be considered in SFY 2019. The leveraging capacity of the program is substantial due to the historical effort and large size of the loan portfolio. The KWPCRF balances the leveraging ability with the need to ensure significant funds remain available for financing agreements in the long term, particularly if capitalization grants were to end. In past bond issues, the KWPCRF bonds have received a AAA credit rating – the highest rating available – from Standard & Poor's, Moody's, and Fitch Ratings and the KWPCRF strives to maintain this credit rating through strong financial management.

h. Cross Collateralization

Under the new indenture of the Kansas SRF programs, there is a method for cross-collateralization to provide security for bond issues.

The new bond indenture, the Master Financing Indenture (MFI), was established in 2010 by KDFA Bond Resolution No.287 and combines both the KPWSLF and KWPCRF programs as one entity for the purpose of interfacing with the capital market. All bonds issued in 2010 and after will be under the MFI. The entire MFI is structured as a cross collateralization mechanism as all interest revenues are pledged to the State Match bonds and all other revenues are pledged to the Leveraged Bonds.

The MFI interface provides for an understanding to bond holders as to how debt service will be paid. However, as indicated in Section 903 of the MFI, the KPWSLF and KWPCRF will maintain and operate the loan programs as separate entities with separate accounting of all loan disbursements, interest revenues, principal revenues, State Match debt service, Leveraged debt service, State Match bond issuance amounts, Leveraged bond issuance amounts, State Match bond proceeds, Leveraged bond proceeds, and any other fund or account established in the MFI.

In the event that cross-collateralization is used to pay debt service on bonds, KDHE accounting will show revenue from one program was needed to pay debt service of the other program. That amount will be treated as a loan (without interest) to be repaid once the borrowing program has available funds in its portion of the Program Equity Fund. In the unlikely event that State Match debt service could not be paid using the corresponding program's portion of interest revenues in the MFI, an amount necessary needed to pay the State Match debt service of the program would be transferred from the corresponding program's Service Fee account to the State Match debt service account (Service Fees are an interest component of the loan repayments). This will assure that the assets of one program are not used, even temporarily, to pay for the other program's State Match.

Furthermore, the MFI will not issue any bonds unless it can show that the program which receives bond proceeds can pay 100% of the debt service of the corresponding bonds (in other words, without using cross-collateralization), reference Section 208 (a) of the MFI.

VI. Program Management

a. Assurances and Specific Proposals

KDHE has provided the necessary assurance and certifications as part of the Operating Agreement with US EPA. The Operating Agreement (OA) describes the mutual obligations between EPA and KDHE, and through the IAA with DOA and KDFA. The purpose of the OA is to provide a framework of procedures to be followed in the management and administration of the KWPCRF. The OA was last updated March 15, 2012. The OA is expected to be updated in 2019 to consider the changes required by WRRDA, the Linked Deposit investment financing of non-point source pollution control efforts, and other changes which may come about due to the recent administration change.

The OA addresses the commitment of the KWPCRF to key CWSRF requirements, including:

602(a) Environmental Reviews: The KWPCRF will conduct environmental reviews according to the State Environmental Review Process developed for the SRF.

603(b)(3) Binding Commitments: The KWPCRF will enter into binding commitments for 120 percent of each quarterly grant payment within one year of receipt of the payment.

602(b)(4) Expeditious and Timely Expenditures: The CWSRF has and will continue to expend all funds in the CWSRF in a timely manner.

b. Federal Requirements

Many federal requirements apply to the KWPCRF, and to all projects funded by the KWPCRF, including federal environmental cross-cutters, Davis/Bacon prevailing wages, Disadvantaged Business Enterprise utilization, American Iron and Steel requirements, preparation of a Fiscal Sustainability Plan including an Asset Management Plan, a certification the facility planning considered cost effectiveness, energy efficiency, water use efficiency, and energy and water reuse, and a memo documenting the determination of the “useful life” of the final engineering design (in years). The following additional requirements apply as the “New Equivalency” requirements, but only to certain loan agreements in a total amount equal to the capitalization grant. This approach is expected to continue with the FFY 2018 Omnibus appropriations. These requirements are:

- Federal Environmental Crosscutters (including all as presented above)
- Disadvantaged Business Enterprise utilization
- 2 CFR 200 Subpart F Single Audit
- Federal Funding Accountability and Transparency Act (FFATA) reporting (completed by KDHE)
- Procurement of A/E services in accordance with the federal Brooks Act (a qualifications based selection process, with subsequent negotiated fees for services)
- Public Notification

In order to minimize the burden on the program administration and in fairness to all borrowers, all loan recipients are required to comply with DBE efforts, as well as the federal environmental cross-cutters.

As required for the “New Equivalency” of EPA, regarding the requirements of the 2 CFR 200 Subpart F Single Audit the KWPCRF is expected to designate in the Intended Use Plan a project or group of projects equal to the capitalization grant amount that will be required to submit an audit that complies with the Single Audit Act requirements, see the list below. At the time of loan execution, KDHE will determine if such loan will be required to comply with the 2 CFR 200 Subpart F Single Audit. Because it is unknown which projects listed in the IUP will actually execute loan agreements, it is not possible to list specific loans in the IUP. These specific loans will be listed in the annual report.

As required for the “New Equivalency” of EPA, the loans designated to comply with the Single Audit Act will also be designated for reporting under the FFATA. This FFATA reporting is completed by KDHE BOW Municipal Programs.

As required for the “New Equivalency” of EPA, compliance with the Brooks Act for procurement of engineering services as presented in 40 USC Chapter 11 - a qualifications based selection process with subsequent negotiated fees for services - is required for loans that includes any engineering fees, but only to certain loan agreements in a total amount equal to the capitalization grant. This “New Equivalency” requirement does NOT apply to loans that do not include engineering fees. Any loan that provides funding for construction costs **only** is a qualified “New Equivalency” loan if all other “New Equivalency” program conditions are met by the loan. EPA has also provided guidance regarding the use of Design/Build and implementation of the Brooks Act requirements. The project(s) listed below are designated to also comply with all other “New Equivalency” requirements listed above.

At this time and tentatively, the KWPCRF program has selected the project to comply with the EPA “New Equivalency” requirements at Kansas City, Kansas (Wolcott Plt), and KDHE will also report only this project for FFATA reporting. This results in a total \$40,000,000 to be reported under these requirements, somewhat higher than the capitalization grant amount of \$12,750,000.

Community Name	Project Description	Financing Amount
Kansas City, Kansas	Wolcott WWTP Upg. and Exp.	\$40,000,000
TOTAL		\$40,000,000

All KWPCRF assistance recipients identified will:

- Demonstrate compliance with the federal environmental crosscutting authorities during the environmental review and project planning stage.
- Follow the EPA Office of Small Business Programs guidelines for encouraging disadvantaged businesses to participate during the bidding process.

- Comply with the guidance and requirements set forth for the 2014 American Iron and Steel (AIS) EPA policies and procedures (see Appendix L). (Applies to only projects for “treatment works”.)
- Prepare a Fiscal Sustainability Plan including an Asset Management Plan Submitted for Approval Prior to Completion of Construction (see Appendix E.) (Applies to any projects which repair, replace, or expand “treatment works”.)
- Certify the Facility Planning Considered Cost Effectiveness, Water Use, Reuse, Recapture, and Conservation, and Energy Conservation

The selected equivalency KWPCRF assistance recipients listed in the Annual Report will also:

- Be the project(s) reported under the Federal Funding Accountability and Transparency Act (FFATA).
- Submit 2 CFR 200 Subpart F Single Audit reports in all years when disbursements of federal funds (both non-CWSRF federal funds and CWSRF designated project(s) during the active phases of the loan project) are greater than \$750,000, as required by 2 CFR 200 Subpart F Single Audit. (The annual threshold is federal funds greater than \$750,000 for non-Federal entities.)
- Comply with the KWPCRF requirements for procurement of A/E services in accordance with the federal Brooks Act requirements, including the EPA Guidance applicable to Design/Build procurements.
- Complete public notification

The project applicant(s) have been informed of the requirements, and the requirements are included as Conditions within the Loan Agreements. The KWPCRF will be maintaining records of project compliance in the project files.

c. Davis-Bacon Wage Rates

EPA’s FFY2012 Appropriations bill and also the recent WRRDA law require the application of Davis-Bacon prevailing wage rates to all treatment works projects funded in whole or in part by the CWSRF into the future. The Davis-Bacon requirements do not apply to nonpoint source or decentralized wastewater treatment projects unless they are considered “treatment works”. Davis-Bacon applies to any construction contracts with over \$2,000 of labor costs and their subcontractors regardless of the subcontract amount.

To ensure compliance with these requirements, KDHE in administering the KWPCRF will confirm that the correct wage determinations are being included in the bid specifications and construction contracts. KDHE in administering the KWPCRF will also provide assistance recipients with the specific EPA Davis-Bacon contract language as conditions within the Loan Agreements that are to be included in bid specifications and construction contracts. In addition, KDHE in administering the KWPCRF will collect Certifications of Davis-Bacon compliance from assistance recipients with disbursement requests.

d. Audits and Reporting

The KWPCRF is committed to transparency and accountability. To that end, program information such as the Independent Financial Audit, KWPCRF application packet, Intended Use Plan, Annual Reports, GPR project summaries, and other program materials are posted on the KDHE website: www.kdheks.gov/muni/index.htm.

An independent financial audit of the KWPCRF is conducted by an outside CPA firm annually.

Project milestones and information are reported through EPA's Clean Water Benefits Reporting (CBR) database. The KWPCRF commits to entering benefits information on all projects into the CBR by the end of the quarter in which the assistance agreement is signed.

VII. Public Review and Comment

A public hearing will be held to receive comments on this KWPCRF Draft IUP for SFY2019. The hearing will be held in the KDHE offices at the Curtis State Office Building, 1000 SW Jackson Street, Topeka, Kansas, on May 8, 2018, at 10 am in the Azure Conference Room. The hearing was advertised in the Kansas Register, on the KDHE website, and through a mass mailing to all interested parties. The public comment period will remain open following the public hearing.

Appendix G of the Final 2019 IUP will contain the following:

- Public Hearing Notice
- Summary of the public hearing
- List of Public Hearing Attendees
- Summary of Email and Letter Comments Received and Responses Provided

APPENDIX A

Figure 1: List of Projects to be Funded SFY2019

I.D. No.	Community Name/Project Sponsor *	NPDES Permit No.	Needs Category **	Project Description	Total Assistance	Interest Rate	Term	Additional Subsidy			Green Project Reserve			Estimated binding commitment date
								Principal Forgiveness Amount	Sustainability Policy	Disadvantaged Community/ Affordability Review	Amount	Category	Business Case Project?	
	Auburn, Kansas* (Funded in 2018)	0094650	IIIB	This project will rehabilitate a portion of the wastewater collection system.	\$1,749,850	2.14%	20	\$0	Fix It First Project	Also Received CDBG and RD funding	None	NA	NA	Q2 SFY 2018
	Burden, Kansas* (Funded in 2018)	0088455	I	This project will rehabilitate and upgrade the existing wwt lagoon system.	\$307,100	2.13%	20	\$0	Fix It First Project	Also Received CDBG funding	None	NA	NA	Q2 SFY 2018
	Chanute, Kansas (Funded in 2018)	0080837	IIIB	This project will rehabilitate a portion of the wastewater collection system.	\$3,142,288	2.15%	20	\$0	Fix It First Project	NA	None	NA	NA	Q3 SFY 2018
	Hoxie, Kansas* (Phase 1 Funded in 2018)	0030562	I	This project would replace the existing wwtp with a lagoon treatment facility.	\$500,000	2.13%	20	\$0	NA	Also Received CDBG and RD funding	None	NA	NA	Q2 SFY 2018
	Jeff. Co. SD #5, Kansas* (Hic. Acres) (Funded in 2018)	NA-NQ Lagoon	IIIB	This project will replace the gravity collection system with a grinder pump/low pressure collection system.	\$933,150	1.81%	20	\$575,775	Fix It First Project	Yes	\$734,650	Cost Effective I/I Corr/Cont	Yes	Q2 SFY 2018
	Moundridge, Kansas* (Funded in 2018)	0021008	I	This project will rehabilitate and upgrade the existing wwt lagoon system.	\$1,668,550	2.21%	20	\$0	NA	NA	None	NA	NA	Q1 SFY 2018
	Rose Hill, Kansas* (Funded in 2018)	0098850	IIIB	This project will rehabilitate a portion of the wastewater collection system.	\$355,000	2.13%	20	\$0	Fix It First Project	NA	None	NA	NA	Q2 SFY 2018
	Pomona, Kansas* (Funded in 2018)	0029068	IIIB	This project will provide comprehensive city-wide sewer rehabilitation.	\$3,471,220	2.13%	20	\$0	Fix It First Project	Also Received CDBG and RD funding	None	NA	NA	Q2 SFY 2018

I.D. No.	Community Name/Project Sponsor *	NPDES Permit No.	Needs Category **	Project Description	Total Assistance	Interest Rate	Term	Additional Subsidy			Green Project Reserve			Estimated binding commitment date
								Principal Forgiveness Amount	Sustainability Policy	Disadvantaged Community/ Affordability Review	Amount	Category	Business Case Project?	
	Wakefield, Kansas* (Funded in 2017))	0027545	IIIB	This project will rehabilitate the wastewater collection system, sewage pumping stations, and wastewater treatment lagoons.	\$400,000	1.94%	20	\$0	Fix It First Project	NA	None	NA	NA	Q2 SFY 2018
1	Arkansas City, Kansas (Can apply for 2018 funding)	0044831	I	This project would rehabilitate and upgrade the wwt processes to provide nutrient removal.	\$20,000,000	Est. <3.0%	20	\$0	NA	NA	Potential Project \$1,000,000	Energy Eff.	NA	Q2 SFY 2019.
2	Chapman, Kansas* (Can apply for 2018 Funding)	0029114	I	This project would replace the existing wwtp with a lagoon treatment facility.	\$4,343,100	Est. <3.0%	20	Potential Project \$1,000,000	NA	Potential Project, Will Also Apply for CDBG and RD funding	None	NA	NA	Q2 SFY 2019
3	Colwich, Kansas* (Can apply for 2018 Funding)	0090956	I	This project would rehabilitate and upgrade the existing wwt lagoon system.	\$500,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q2 SFY 2019
4	Concordia, Kansas – Ph. 2 (Can apply for 2018 funding)	0025577	II	This Phase 2 project would provide nutrient removal improvements.	\$4,000,000	Est. <3.0%	20	\$0	NA	NA	Potential Project \$500,000	Energy Eff.	NA	Q4 SFY 2019
5	Coolidge, Kansas* (Can apply for 2018 funding)	NA–NQ Lagoon	I	This project would rehabilitate the existing non-discharging wwt lagoon.	\$400,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q4 SFY 2019
6	Conway Springs, Kansas* (Can apply for 2018 Funding)	0030651	I, IIIB & IVB	This project would rehabilitate a portion of the wastewater collection system, sewage pumping stations, and wastewater treatment lagoons.	\$3,000,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q4 SFY 2019
7	Effingham, Kansas* (Can apply for 2018 Funding)	0047279	IIIB	This project would provide comprehensive city-wide sewer rehabilitation.	\$2,533,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q2 SFY 2019

I.D. No.	Community Name/Project Sponsor *	NPDES Permit No.	Needs Category **	Project Description	Total Assistance	Interest Rate	Term	Additional Subsidy			Green Project Reserve			Estimated binding commitment date
								Principal Forgiveness Amount	Sustainability Policy	Disadvantaged Community/ Affordability Review	Amount	Category	Business Case Project?	
8	Escondido, Kansas* (Can apply for 2018 Funding)	0046400	I & IIIB	This project would rehabilitate the wastewater treatment lagoon and provide comprehensive city-wide sewer rehabilitation.	\$4,130,544	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q3 SFY 2019
9	Geary Co. S.D. #4, Kansas* (Can apply for 2018 Funding)	0079197	I & II	This project would replace the existing wwtp with a lagoon treatment facility.	\$437,050	Est. <3.0%	20	Potential Project \$200,000	NA	Potential Project, Will Also Apply for CDBG and RD funding	None	NA	NA	Q1 SFY 2019
10	Gridley, Kansas* (Can apply for 2018 Funding)	0045993	IIIB	This project would provide comprehensive city-wide sewer rehabilitation.	\$500,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q2 SFY 2019
11	Hanston, Kansas* (Can apply for 2018 Funding.)	0031143	I	This project would replace the existing wwtp with a lagoon treatment facility.	\$2,000,000	Est. <3.0%	20	\$0	NA	NA	None	NA	NA	Q4 SFY 2019
12	Haven, Kansas* (Can apply for 2018 Funding.)	0116815	IVB	This project would upgrade the existing sewage pumping stations in the collection system.	\$200,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q4 SFY 2019
13	Havensville, Kansas* (Can apply for 2018 Funding)	0081523	IIIB	This project would rehabilitate a portion of the wastewater collection system.	\$100,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q4 SFY 2018
14	Holyrood, Kansas* (Can apply for 2087 Funding)	0024601	I	This project would upgrade the existing wwtp lagoon system.	\$362,600	Est. <3.0%	20	\$0	NA	NA	None	NA	NA	Q4 SFY 2018
15	Horton, Kansas* (Can apply for 2018 Funding)	0047465	I	This project would replace the existing wwtp.	\$3,945,000	Est. <3.0%	20	\$0	NA	Potential Project, Will also Apply for CDBG and RD funding	None	NA	NA	Q1 SFY 2019.
16	Hoxie, Kansas* - Phase 2 (Can apply for 2018 Funding)	0030562	I	This project would replace the existing wwtp with a lagoon treatment facility.	\$3,257,076	Est. <3.0%	20	Potential Project \$1,000,000	NA	Potential Project, Also Applied for CDBG and RD funding	None	NA	NA	Q2 SFY 2019

I.D. No.	Community Name/Project Sponsor *	NPDES Permit No.	Needs Category **	Project Description	Total Assistance	Interest Rate	Term	Additional Subsidy			Green Project Reserve			Estimated binding commitment date
								Principal Forgiveness Amount	Sustainability Policy	Disadvantaged Community/ Affordability Review	Amount	Category	Business Case Project?	
17	Independence, Kansas (Can apply for 2018 funding)	0095486	IIIB	This project would rehabilitate a portion of the wastewater collection system.	\$3,100,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q1 SFY 2019
18	Isabel. Kansas* (Can apply and receive funding at any time)	NA-NQ Lagoon	I	This project would rehabilitate the existing wwt lagoon and replace the sewage pumping station.	\$80,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q1 SFY 2019
19	Jeff. Co. SD #3, Kansas* (Hilldale) (Can apply for 2018 funding)	NA-NQ Lagoon	IIIB	This project would rehabilitate the existing wwt lagoon.	\$100,000	Est. <3.0%	20	\$0	Fix It First Project	NA	NA	NA	NA	Q2 SFY 2019
20	Junction City, Kansas – Phase 2 (Can apply for 2018 Funding)	0034011	I & II	This project would rehabilitate and upgrade the wwt processes to provide nutrient removal. Ph. 2 - \$13.995 M Ph. 3 - \$ 9.751 M	\$23,746,000	Est. <3.0%	20	\$0	NA	NA	None	NA	NA	Q2 SFY 2019.
21	Kansas City, Kansas (Can apply and receive funding at any time)	0099201	I & II	This project would expand and upgrade the wwt processes and provide nutrient removal at the Wolcott Treatment Plant.	\$40,000,000	Est. <3.0%	20	\$0	NA	NA	NA	NA	NA	Q3 SFY 2019
22	Louisburg, Kansas* (Can apply for 2018 Funding)	0024856, 0087149	I & IVB	This project would upgrade or replace the existing wwt lagoon systems – North and South.	\$20,700,000	Est. <3.0%	20	Potential Project	NA	Potential Project	None	NA	NA	Q2 SFY 2018
23	Manter, Kansas* (Can apply for 2018 Funding)	NA-NQ Lagoon	I	This project would rehabilitate the existing non-discharging wwt lagoon.	\$72,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	Na	NA	Q4 SFY 2018
24	Norcaturn, Kansas* (Can apply and receive funding at any time)	NA-NQ Lagoon	I	This project would rehabilitate the existing wwt lagoon.	\$80,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q4 2018

I.D. No.	Community Name/Project Sponsor *	NPDES Permit No.	Needs Category **	Project Description	Total Assistance	Interest Rate	Term	Additional Subsidy			Green Project Reserve			Estimated binding commitment date
								Principal Forgiveness Amount	Sustainability Policy	Disadvantaged Community/ Affordability Review	Amount	Category	Business Case Project?	
25	Riley, Kansas* (Can apply for 2018 Funding)	0093301	I	This project would upgrade and expand the existing wwt lagoon system.	\$600,000	Est. <3.0%	20	\$0	NA	NA	None	NA	NA	Q4 SFY 2018
26	Riley Co, Kansas* (Bridgeview Hts) (Can apply for 2018 Funding)	NA-new wwtp	I & IVA	This project would construct a new pressure sewer collection system and wastewater treatment lagoon.	\$324,500	Est. <3.0%	20	Potential Project	NA	Potential Project	Potential Project	Env. Innov.	NA	Q4 SFY 2018
27	Riley Co, Kansas* (CMMHP) (Can apply for 2018 Funding)	NA-pump to City	IVB	This project would replace an existing sewage pumping station.	\$60,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q4 SFY 2018
28	Riley Co, Kansas* (Lakeside Hts) (Can apply for 2018 Funding)	0079243	IVA	This project would construct a new pressure sewer collection system to serve several existing homes.	\$160,000	Est. <3.0%	20	Potential Project	NA	Potential Project	Potential Project	Env. Innov.	NA	Q4 AFY 2018
29	Russell, Kansas* (Can apply for 2018 Funding)	0091367	I	This project would rehabilitate and upgrade the existing wwt lagoon system.	\$300,000	Est. <3.0%	20	\$0	NA	NA	None	NA	NA	Q4 SFY 2019.
30	Salina, Kansas (Can apply and receive funding at any time)	0038474	I & II	This project would construct collector sewers to the Markley/Magnolia area to provide collector sewers to these septic tank areas of the city.	\$2,250,000	Est. <3.0%	20	\$0	NA	NA	None	NA	NA	Q2 SFY 2019
31	Sterling, Kansas* (Can apply and receive funding at any time)	0024783	I	This project would upgrade an existing wastewater treatment lagoon.	\$500,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q2 SFY 2019
32	Topeka, Kansas (Can apply for 2018 Funding)	0042722	V	Topeka is completing various combined sewer correction/control projects in the Combined Sewer System portion of the collection system. This project would continue those efforts.	\$5,500,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q4 SFY 2019
33	Ulysses, Kansas* (Can apply for 2018 Funding)	0098825	I&X	This project would upgrade and rehabilitate the existing wwt lagoon and effluent irrigation system.	\$500,000	Est. <3.0%	20	\$0	NA	NA	Potential Project \$500,000	Water Reuse	NA	Q2 SFY 2019

I.D. No.	Community Name/Project Sponsor *	NPDES Permit No.	Needs Category **	Project Description	Total Assistance	Interest Rate	Term	Additional Subsidy			Green Project Reserve			Estimated binding commitment date
								Principal Forgiveness Amount	Sustainability Policy	Disadvantaged Community/ Affordability Review	Amount	Category	Business Case Project?	
34	Westwood Hills, Kansas* (Can apply for 2018 Funding)	NA	VI-A	This project would rehabilitate an existing storm sewer system.	\$236,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q4 SFY 2018
35	Wilsey, Kansas* (Can apply for 2018 Funding)	0089907	IIIB	This project would rehabilitate and upgrade the existing wwt lagoon system.	\$500,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	Q2 SFY 2019
36	Andale, Kansas* (Can apply and receive funding at any time)	0092223	I	This project would rehabilitate and upgrade the existing wwt lagoon system.	\$300,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	To be determined
37	Baxter Springs, Kansas* - Phase 2 (Can apply and receive funding at any time)	0045934	II	This project would upgrade the wwt system to provide nutrient removal.	\$700,000	Est. <3.0%	20	\$0	NA	City may also apply for CDBG funding	None	NA	NA	To be determined.
38	Edgerton, Kansas (Can apply and receive funding at any time)	0100374	I & II	This project would expand the wwt to provide additional capacity while also removing nutrients.	\$9,500,000	Est. <3.5%	20	\$0	NA	NA	None	NA	NA	To be determined
39	Ellinwood, Kansas* (Can apply and receive funding at any time)	0090999	I	This project would provide comprehensive city-wide sewer rehabilitation to reduce infiltration/inflow.	\$1,000,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	To be determined
40	Eudora, Kansas* (Can apply and receive funding at any time)	0094609	IVB	This project would upgrade an existing sewage pumping station in the collection system.	\$800,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	To be determined.

I.D. No.	Community Name/Project Sponsor *	NPDES Permit No.	Needs Category **	Project Description	Total Assistance	Interest Rate	Term	Additional Subsidy			Green Project Reserve			Estimated binding commitment date
								Principal Forgiveness Amount	Sustainability Policy	Disadvantaged Community/ Affordability Review	Amount	Category	Business Case Project?	
41	Galena, Kansas* (Can apply and receive funding at any time)	0048135	IVA	This project would extend sewers to unsewered areas.	\$2,000,000	Est. <3.0%	20	\$0	NA	City may also apply for CDBG and RD funding	None	NA	NA	To be determined.
42	Herndon, Kansas* (Can apply and receive funding at any time)	NA-NQ Lagoon	I	This project would rehabilitate the existing wwtp lagoon.	\$200,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	To be determined.
43	Herington, Kansas* (Can apply and receive funding at any time)	0022811	I	This project would upgrade an existing wwtp to provide nutrient removal improvements.	\$250,000	Est. <3.0%	20	\$0	NA	NA	None	NA	NA	To be determined
44	Lakeside Village Imp. Dist.* (Can apply and receive funding at any time)	NA-NQ Lagoon	IIIB	This project would rehabilitate the existing wwtp lagoon.	\$100,000	Est. <3.0%	20	\$0	Fix It First Project	NA	NA	NA	NA	To be determined
45	Ottawa, Kansas – NE Int. & PS (Can apply and receive funding at any time)	0097535	IVB	This project would construct a new Northeast Interceptor sewer and replace an existing sewage pumping station.	\$2,000,000	Est. <3.0%	20	\$0	NA	NA	None	NA	NA	To be determined.
46	Salina, Kansas (Can apply and receive funding at any time)	0038474	I & II	This project would rehabilitate and upgrade the wwtp processes to provide nutrient removal.	\$30,000,000	Est. <3.0%	20	\$0	NA	NA	Potential Project	Energy Eff., Eff. Reuse	NA	To be determined
47	Spring Hill, Kansas (Can apply and receive funding at any time)	0095516	IIIB	This project would rehabilitate a portion of the wastewater collection system.	\$563,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	To be determined.

I.D. No.	Community Name/Project Sponsor *	NPDES Permit No.	Needs Category **	Project Description	Total Assistance	Interest Rate	Term	Additional Subsidy			Green Project Reserve			Estimated binding commitment date
								Principal Forgiveness Amount	Sustainability Policy	Disadvantaged Community/ Affordability Review	Amount	Category	Business Case Project?	
48	Windom, Kansas*(Can apply and receive funding at any time)	0051721	IIIB	This project would provide comprehensive city-wide sewer rehabilitation.	\$500,000	Est. <3.0%	20	\$0	Fix It First Project	NA	None	NA	NA	To be determined.

Total Projects 1 thru 35
FFY 2018 Capitalization Grant \$12,750,000

\$148,516,870

\$2,200,000
17.3%

\$2,000,000
15.7%

* City Less Than 5.000 Population

** Needs Category

I. Secondary Wastewater Treatment
 II. Advanced Wastewater Treatment
 III-A. Infiltration/Inflow Correction
 III-B. Sewer Replacement/Rehabilitation
 IV-A. New Collector Sewers and Appurtenances
 IV-B. New Interceptors Sewer and Appurtenances
 V. Combined Sewer Overflow (CSO) Correction
 VI. Stormwater Management Programs
 VI-A. Stormwater Conveyance Infrastructure
 VI-B. Stormwater Treatment Systems

VI-C. Green Infrastructure
 VI-D. General Stormwater Management
 VII. Nonpoint Source (NPS) Control
 VII-A. NPS Control: Agriculture (Cropland)
 VII-B. NPS Control: Agriculture (Animals)
 VII-C. NPS Control: Silviculture
 VII-E. NPS Control: Ground Water Protection
 VII-F. NPS Control: Marinas
 VII-G. NPS Control: Resource Extraction
 VII-H. NPS Control: Brownfields

VII-I. NPS Control: Storage Tanks
 VII-J. NPS Control: Sanitary Landfills
 VII-K. NPS Control: Hydromodification
 VII-M. NPS Control: Other Estuary Management Activities
 X. Recycled Water Distribution
 XII. Decentralized Wastewater Treatment Systems

APPENDIX B

Proposed FFY 2018 Cap Grant Payment Schedule (Increases in ACH Ceiling)

Quarter - FFY	Mo./Year	Administration	Project	Total
3rd - 2018	June 2018	510,000	12,240,000	12,750,000
Totals		510,000	12,240,000	12,750,000

APPENDIX C

STATE OF KANSAS WATER POLLUTION CONTROL REVOLVING LOAN FUND ESTIMATED SFY 2019 SOURCES AND USES OF FUNDS

	Estimated as of March 13, 2018
<hr/> SOURCES <hr/>	
EPA FFY 2018 Capitalization Grant (Including Adm. Funds 603(d)(7) \$510,000 Banked)	12,750,000.00 (see below)
2018 State Match (total needed \$2,550,000*) (Less FFY 2018 State Match Previously Spent of \$118,800)	2,413,200.00
Repayment Funds Available as of 3/5/18 (includes actual funds to be released March 2018)	(17,000,000.00)
SFY 2019 Excess revenues** (Est. from the March 13, 2018 PRC)	24,460,000.00
SFY 2020 Excess revenues** (Est. from the March 13, 2018 PRC)	46,950,000.00
SFY 2019 Est. Interest earnings (cash, reserves, and investments)	260,000.00
Banked Adm. Funds 603(d)(7)	510,000.00
Banked Service Fees***	1,125,000.00
Future Sale of Leverage Bonds****	78,683,670.00
TOTAL SOURCES	<hr/> 150,151,870.00 <hr/>
 <hr/> USES <hr/>	
Projects on SFY 2019 IUP****	148,516,870.00
Administrative Expenses Est SFY 2019 603(d)(7) (same as above)	510,000.00
Service Fees Est SFY 2019 (same as above) ***	1,125,000.00
TOTAL USES	<hr/> 150,151,870.00 <hr/>

Footnotes on following page

*A portion of the \$2,550,000 amount was previously provided and utilized for payments to projects. The remainder will be provided and utilized for payments before any FFY 2018 Cap Grant funds are utilized.

**Excess revenues are the amount of repayments from prior Loan Agreements left after all State Match and Leveraging principal and interest bond repayments are made for the state fiscal year, and the Projected Revenues Certificate has been prepared and certified by the Financial Advisor and is acceptable to the Trustee for the KWPCRF and KPWSRF programs as required by the Master Financing Indenture. The excess revenues are released back to the KWPCRF to use in new loan agreements once per year.

***Additional information regarding service fees collection and use is provided in Appendix H.

****This amount includes only Project Nos. 1 through 35 from Appendix A, the current year projects targeted to be funded.

Appendix D

FY 2018 Clean Water Act Title VI Funds (Estimate)
\$12,750,000.00

Appendix E

(It is anticipated the documents as presented below will also apply to the FFY 2018 Clean Water SRF Programs Funding)

EPA MEMOs of Procedures for Implementing Certain Provisions of EPA's Fiscal Year 2016 and 2015 Appropriations Affecting the Clean Water (CWSRF) and Drinking Water Revolving Fund (DWSRF) Programs

This "DRAFT Intended Use Plan for the Kansas Water Pollution Control Revolving Loan Program – State Fiscal Year 2019" includes all prior and the new guidance applicable to the FFY 2016 funding, and administration of the KWPCRF low interest loan program will be provided in accordance with these program requirements.

The following EPA MEMOs are applicable to FFY 2018 funding provided by the KWPCRF –

EPA has provided a procedures guidance document applicable to the FFY 2016 CW SRF funding as required by the WRRDA law – "Final Interpretative Guidance for Amendments to the CWSRF Program (includes 602(b)(13) and Q&As)" – copy included in Appendix M of this IUP.

Information and EPA guidance is also included regarding the American Iron and Steel Requirement in Appendix L of this IUP.

The FFY -2016 CWSRF Programmatic Terms and Conditions are included here.

As the KWPCRF continues to spend federal funds from the FFY 2016 funding provided to the KWPCRF, the EPA Memo related to the FFY 2016 funding and all attachments also continue to apply to the KWPCRF, and are included in this Appendix E.

Also, the "Green Project Reserve" policy guidance memo from the FFY 2012 program guidance continues to be applicable to the FFY 2016 federal funding, and so the Green Project Reserve policy memo is also included here. EPA has also issued a new CWSRF Green Infrastructure Policy memo dated FINAL 1-6-16 which is included in Appendix F.

The KDHE Final document for a "Fiscal Sustainability Plan including an Asset Management Plan" is included for use by loan recipients and can also be found on the KDHE website <http://www.kdheks.gov/muni/index.htm> .

Appendix F

(It is anticipated the documents as presented below will also apply to the FFY 2018 Clean Water SRF Programs Funding)

Principal Forgiveness and Green Project Reserve Policy and Procedures Applicable to the FFY 2016 Federal Funding Provided to the Kansas Water Pollution Control Revolving Fund

The “Green Project Reserve” policy guidance memo from the FFY 2012 program guidance continues to be applicable to the FFY 2016 federal funding, and so the Green Project Reserve policy memo is also included here. EPA has also issued a new CWSRF Green Infrastructure Policy memo dated FINAL 1-6-16 which is included here.

The document provided within prior year’s Intended Use Plans for Principal Forgiveness funding to encourage Green Project Reserve designs in KWPCRF funded projects has been updated to reflect the new Affordability Criteria requirements of the CWSRF program. KDHE will now complete the effort to provide the amounts of principal forgiveness for GPR designs as indicated in prior loan agreements, and so additional principal forgiveness funding will be provided for all prior qualifying EPA and KDHE GPR costs, including increased costs due to bid opening and change orders.

The remaining additional principal forgiveness amount now provided by Congressional appropriation from the FFY 2018 Cap Grant will be provided to new loan agreements in accordance with the new Affordability Criteria procedures presented in this Appendix F.

A new concept is being developed to distribute principal forgiveness for the KWPCRF in future years. A portion of the entire principal forgiveness funding amount available from the FFY 2016, FFY 2017, and FFY 2018 Cap Grant will be provided to projects as indicated in the prior paragraph above. KDHE will continue to develop and encourage projects that qualify for Green Project Reserve status under the EPA program (see also Appendix A) but will not use Principal Forgiveness to encourage these types of project designs.

KDHE has now provided new policies and procedures to distribute the Principal Forgiveness amounts from the FFY 2019 capitalization grants remaining funds based more so on cost impacts to user charges, and affordability concerns.

Please note the WRRDA required KDHE write an “Affordability Criteria” guidance document for the KWPCRF. This document has been prepared and distributed through a separate public hearing process. The new Affordability Criteria guidance for the KWPCRF will change the methods of distributing the principal forgiveness additional subsidy, and is included in the Appendix F.

KDHE is now reconsidering the use of the 10% additional subsidy that is not subject to the WRRDA restrictions.

APPENDIX G

Public Review

- a. Public Hearing Notice

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

NOTICE OF HEARING

**DRAFT DOCUMENTS ARE NOW AVAILABLE FOR REVIEW AND COMMENT FOR
THE FY 2019 PROJECT PRIORITY SYSTEM, PROJECT PRIORITY LIST, AND
INTENDED USE PLAN FOR THE KANSAS WATER POLLUTION CONTROL
REVOLVING LOAN FUND**

FISCAL YEAR 2019

A public hearing to discuss and present the Draft FY 2019 Intended Use Plan, Project Priority List, and Project Priority System will be held May 8, 2018 at 10:00 A.M., in the Azure Room, 4th Floor, Curtis Building, 1000 SW Jackson, Topeka, Kansas.

The Kansas Department of Health and Environment - Bureau of Water has prepared the referenced documents for Fiscal Year 2019 IUP. The documents are available on the KDHE website at <http://www.kdheks.gov/muni/index.htm>. Comments on the documents are welcome and requested. Any questions should be directed by e-mail to Rod.Geisler@ks.gov or by regular (paper) mail to Rodney R. Geisler, P.E., Chief, Municipal Programs Section, Bureau of Water, Kansas Department of Health and Environment, Suite 420, Curtis Building, 1000 SW Jackson, Topeka, Kansas 66612-1367, prior to the date of the hearing.

**Jeff Andersen, Secretary
Kansas Department of Health and Environment**

- b. Summary of Public Hearing – (to be provided)
- c. Public Hearing Attendees – (to be provided)
- d. Summary of Email and Letter Comments Received – (to be provided)

APPENDIX H

Estimated Service Fee Income from the FFY 2018 Capitalization Grant

Est. Program Income Earned During the Grant Period – 07/01/18 – 06/30/24 - \$86,000

Est. Program Income Earned After the Grant Period – 07/01/24 – 06/30/39 - \$230,000

Est. Non-Program Income Earned From the FFY 2018 Capitalization Grant - \$0

Prepared by
Rod Geisler
3/16/18

K.A.R. 28-16-113 establishes the method of the KWPCRF to collect service fees for administration costs of the KWPCRF. A portion of the interest rate charges of the loans, 0.25%, is collected as a service fee. The (gross) interest rates on the loans are established in accordance with K.A.R. 28-16-133.

Program Administration funds are provided by the 4% 603(d)(7) set aside of the CW SRF capitalization grant amount. These funds can only be used in the direct support of the KWPCRF program management. These funds are spent primarily on staff salaries and benefits but are also spent on various expenses. These include such typical expenses as travel, rent, office supplies, communications, costs incurred by other state agencies under the IAA, and the annual independent financial audits.

Service fees income funds are collected as provided in K.A.R. 28-16-113. EPA policies dictate service fees are divided into three categories of “program income” and “non-program income”. “Program income earned during the grant period” are service fees that must be spent in support of the KWPCRF program management. “Program income earned after the grant period” should first be spent in support of the KWPCRF program management but can also be spent in support of the “Water Quality Related” expenses, such as the “106 Program” NPDES permit program activities, if adequate funds are first provided for KWPCRF program management. “Non-program income” can be spent in support of other “Water Quality Related” expenses, such as the “106 Program” NPDES permit program activities.

In Kansas, KWPCRF non-program income service fees are spent in support of “Water Quality Related” activities in support of the 106 Program NPDES permit program activities. These include such typical expenses as salaries and benefits, travel, rent, office supplies and equipment, communications, technical and financial association fees and conferences, and technical assistance contracts.

All KWPCRF service fees for any expense are reviewed by the KWPCRF program management staff. In accordance with the advice provided several years ago by the auditors conducting the Independent Financial Audit, monthly reports of service fee expense expenditures charged to Program Administration and to KWPCRF Service Fees are extracted and reviewed. This review is to assure any expense is properly assigned to be paid by KWPCRF service fees, and/or also

properly assigned as a KWPCRF expense spent in support of the KWPCRF program management or as a Water Quality Related 106 Program NPDES expense.

The WRRDA legislation has provided other options for the states to establish Service Fee Income from the Clean Water SRF programs. At this time, Kansas will continue to establish and utilize KWPCRF service fees in the established manner as presented above.

Appendix L

2014 Buy American Iron and Steel (AIS) Policies and Procedures from EPA

EPA Memo "Implementation of American Iron and Steel provisions of P.L. 113-76, Consolidated Appropriations Act, 2014" dated March 20, 2014

Additional information available at

http://water.epa.gov/grants_funding/aisrequirement.cfm

Including a very useful "Q & A" section.

Appendix M

(It is anticipated the documents as presented below will also apply to the FFY 2018 Clean Water SRF Programs Funding)

Clean Water SRF WRRDA Guidance Final 1-06-15 (Final Interpretive Guidance)